

Message Text

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ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-11 ISO-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 FEA-01 SAM-01

AF-06 ARA-06 EA-07 NEA-10 SSO-00 NSCE-00 INRE-00

USIE-00 /131 R

DRAFTED BY USDA:KHOWLAND:

APPROVED BY EUR/RPE:JTMCCARTHY

USDA:BANDREWS

STR: JSTARKEY

USDA:GWHITE

USDA:DMEEKER

EB/OT/GCP:HCBLACK

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

INFO USMISSION EC BRUSSELS IMMEDIATE

USDEL MTN GENEVA IMMEDIATE

AMCONSUL BREMEN IMMEDIATE

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INFORM DUTY OFFICER SATURDAY AM

E.O. 11652A N/A

TAGS:ECON, ETRD, U.S. EEC

SUBJECT: EC TROPICAL PRODUCTS PROPOSAL - TOBACCO GSP

REF: A) EC BRUSSELS 1978 B) STATE 44621 C) EC BRUSSELS
1820

1. IN LIGHT OF INFO CONTAINED REF(A) ACTION POSTS NOW REQUESTED APPROACH HOST GOVERNMENTS TO CONVEY U.S. POSITION AS STATED IN THIS MESSAGE AND STATE 44621 WITH REGARD TO COMMISSION PROPOSAL TO EXPAND GSP FOR TOBACCO. U.S. REMAINS OPPOSED TO GSP OFFERS IN TROPICAL PRODUCTS GROUP ESPECIALLY WHEN OFFER WILL IMPACT ON 400 MILLION DOLLARS U.S. EXPORT ITEM.

2. U.S. SUGGESTION FOR LIMITING GSP CONCESSION TO 50,000 TONS REGARDLESS OF TOBACCO TYPE OR VALUE IS NOT MADE TO BAIL COMMISSION OUT OF INTRA-EC DEBATE ON THIS ISSUE. SUGGESTED QUOTA LIMITATION IS INTENDED AS POSSIBLE WAY TO LIMIT ADVERSE EFFECT OF GSP ON U.S. EXPORTS AND TO ALLAY POLITICAL REACTION FROM U.S. TOBACCO INTEREST UNTIL WE CAN ATTEMPT TO NEGOTIATE A MEANINGFUL CXT REDUCTION IN MTN. FIRM EC COMMITMENT TO NEGOTIATE TOBACCO IN MTN, THEREFORE, IS SINE QUA NON TO U.S. POSITION.

3. FOR INFO USEC. ADJUSTMENTS TO GSP PER PARA 4 REFTEL (C) WOULD NOT BE IMPROVEMENTS AS FAR AS U.S. IS CONCERNED. OPENING UP 24.01A TO ALL TYPES WITHOUT QUOTA WOULD NOT ONLY RETAIN COMPETITIVE THREAT FOR U.S. FLUE-CURED BUT WOULD INTRODUCE THREAT FOR U.S. BURLEY, CIGAR WRAPPER AND, BEFORE LONG, MARYLAND AND KENTUCKY FIRE-CURED TYPES. U.S. EXPORTS OF THESE TYPES TO EC TOTALED \$73 MILLION IN 1975. ADJUSTMENT TO 24.01B WOULD RESULT IN THE LOWER MINIMUM DUTY NOW APPLIED UNDER PRESENT GSP BUT WOULD APPLY THIS MINIMUM ON LARGER QUANTITY OF TOBACCO - I.E. VALUED UP TO 1.88 UA/KG; WHEREAS, PRESENT GSP MINIMUM APPLIES ONLY UP TO 1.42 UA/KG. TOBACCO. ADJUSTMENTS LIMITED OFFICIAL USE

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APPEAR TO BE DESIGNED TO QUIET ITALIAN OBJECTIONS TO 24.01 B LIBERALIZATION, GIVE BRITISH RELIEF SOUGHT FOR FLUE-CURED IN 24.01A AND AS SOP TO OTHER MEMBERS WHO WANT ACCESS TO CHEAPER TOBACCO.

4. WE WOULD THINK THAT EC MEMBERS WOULD SUPPORT MFN REDUCTION FOR TOBACCO, PARTICULARLY 24.01A. WE CAN UNDERSTAND ITALIAN OBJECTIONS TO COMMISSION PROPOSAL TO EXPAND

GSP. ALTHOUGH ITALY STILL PRODUCES MODEST QUANTITY OF FLUE-CURED, IT CARRIES HIGH CAP SUPPORT PRICE AND BUYERS' PREMIUM AND ITALIANS ARE INTERESTED IN EXPANDING PRODUCTION AND ASSURING DISPOSAL OF THIS TYPE. LDC FLUE-CURED IS COMPARABLE IN QUALITY AND PRICE TO ITALIAN FLUE-CURED. NEVERTHELESS, WE WOULD EXPECT ITALIANS WOULD BE LESS OPPOSED TO NEGOTIATING TARIFF REDUCTION IN MTN IF SUCH COULD RESULT IN A RECIPROCAL CONCESSION OF PARTICULAR INTEREST TO ITALY. IT APPEARS ITALY WOULD GET VERY LITTLE OR NOTHING FOR A GSP CONCESSION IN TPG.

5. YOU SHOULD ALSO POINT OUT TO ITALIANS THAT U.S. SUGGESTION LIMITING GSP CONCESSION TO 50,000 MT FOR BOTH CATEGORIES IS IN THEIR INTEREST. MEMBER STATES COULD BE EXPECTED TO FILL QUOTA WITH HIGHEST VALUE, HIGHEST DUTY LEAF FIRST. THIS WOULD MEAN THE UK, FOR EXAMPLE, WOULD USE A GOOD PART OF ITS QUOTA FOR FLUE CURED IN 24.01 A CATEGORY LEAVING SMALLER QUANTITY TO BE FILLED WITH 24.01B TOBACCO, THEREFORE LIMITING ADVERSE IMPACT ON ITALY FROM DIRECTLY COMPETITIVE TOBACCO IMPORTED UNDER 24.01B.

6. BRITISH WOULD BE BETTER SERVED BY MFN REDUCTIONS IN VIEW OF FACT THAT UK STILL IMPORTS ABOUT HALF OF HER TOBACCO FROM NON-GSP SUPPLIERS - NAMELY, U.S., CANADA AND SOUTH AFRICA. GERMANY AND IRELAND WOULD APPEAR TO HAVE SIMILAR INTEREST IN MFN REDUCTION.

7. WITH REGARD TO DENMARK AND BENELUX, MFN REDUCTION WOULD IMPROVE THEIR ACCESS TO CIGARETTE TOBACCO AND TO TYPES USED IN OTHER PRODUCTS WHICH THEY MANUFACTURE IN SUBSTANTIAL QUANTITIES AND EXPORT IN CONSIDERABLE VOLUME, INCIDENTALLY, TO THE U.S. KISSINGER
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, TOBACCO, AGRICULTURAL COMMODITIES, COMMITTEE MEETINGS, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE048126
Document Source: CORE
Document Unique ID: 00
Drafter: KHOWLAND:
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760075-0219
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976023/aaaaachw.tel
Line Count: 154
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 1978, 76 STATE 44621
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by ElyME>; APPROVED <07 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC TROPICAL PRODUCTS PROPOSAL - TOBACCO GSP
TAGS: ECON, ETRD, US, EEC
To: BONN MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006